

WASHINGTON, D.C. – Congresswoman Loretta Sanchez (CA-47), a member of the bipartisan Joint Economic Committee, today sent a letter to U.S. Treasury Secretary Timothy Geithner urging him to expedite the Internal Revenue Service's (IRS) review of Orange County's proposed changes to its pension program. The changes, which have the support of Orange County's largest union and Governor Arnold Schwarzenegger, would help address the significant financial burdens imposed by the County's current pension formula.

To date, Orange County has not moved forward with the pension overhaul because it is unclear how the proposed reforms might impact the tax burden of thousands of County workers. County officials have repeatedly reached out to the IRS to provide guidance on the issue, but a workable solution has not yet been reached. Rep. Sanchez's letter urges Secretary Geithner to speed up the IRS review process so the County can either implement its proposed pension changes or assess other means of pension reform.

"The proposed changes to Orange County's pension program are essential to keeping the County financially stable," said Rep. Sanchez. "But in order to move forward, we need the IRS to provide concrete guidance on the tax implications of the proposed overhaul. I urge the Treasury Secretary to act quickly to ensure that Orange County's pension program continues to provide retirement security to local employees."

A copy of Rep. Sanchez's letter to Secretary Geithner is available below:

Dear Secretary Geithner:

I am writing to ask for your help on an issue of great importance to the County of Orange, California. As with many public entities around the Country, Orange County is working to address significant financial burdens resulting from the County's pension obligations. The County and its largest union, Orange County Employees Association (OCEA), have worked together to propose changes to its pension structure that would address this concern and benefit both the County and its employees. This could be a helpful and necessary step in addressing the significant pension burdens of many state and local governments while continuing to provide retirement security to its employees. Governor Schwarzenegger signed urgency legislation in October 2009 to allow the County to implement these changes.

As the County of Orange prepared for implementation, the County became aware of possible negative tax implications for its 13,000 participants and has been diligently working with the Internal Revenue Service (IRS) Employee Plans Division, Fran Sloan, as well as Treasury officials, George H. Bostick, Benefits Tax Counsel, and J. Mark Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary (Retirement and Health Policy), who have been consistently sympathetic to the issues and have assured the County that they are actively working to provide guidance addressing the matter.

Almost a year has passed, however, and the County is unable to proceed with the new program. I am writing to ask for your assistance in encouraging a swift and positive resolution for this issue, which I believe will promote financial stability for the County of Orange, provide greater flexibility to its employees in their retirement planning, and establish a national model.

Thank you in advance for your help.

Sincerely,

Loretta Sanchez, Member of Congress